

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

-----In the Matter of-----)

PUBLIC UTILITIES COMMISSION)

Instituting a Proceeding to Investigate)
Proposed Amendments to the)
Framework for Integrated Resource)
Planning.)
_____)

Docket No. 2009-0108

PUBLIC UTILITIES
COMMISSION

2009 OCT -2 P 1:42

FILED

**PRELIMINARY STATEMENT OF POSITION OF
KAUAI ISLAND UTILITY COOPERATIVE**

AND

CERTIFICATE OF SERVICE

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**PRELIMINARY STATEMENT OF POSITION OF
KAUAI ISLAND UTILITY COOPERATIVE**

KAUAI ISLAND UTILITY COOPERATIVE ("KIUC"), by and through its attorneys,
Moriwara Lau & Fong LLP, hereby submits its Preliminary Statement of Position in this
docket.

I. BRIEF PROCEDURAL BACKGROUND

By its Order Initiating Investigation issued on May 14, 2009 ("Order Initiating
Investigation"),¹ the Commission initiated an investigation to examine the proposed
amendments to the Framework for Integrated Resource Planning ("IRP Framework")
submitted by the Hawaiian Electric Companies, KIUC and the Consumer Advocate, and

¹ As stated in the Order Initiating Investigation, the Commission named, as original parties to this proceeding, Hawaiian Electric Company, Inc. ("Hawaiian Electric"), Hawaii Electric Light Company, Inc. ("HELCO"), Maui Electric Company, Limited ("MECO") (Hawaiian Electric, HELCO and MECO collectively hereinafter referred to as "Hawaiian Electric Companies"), KIUC and the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy ("Consumer Advocate"). By Order Granting Intervention, filed on July 1, 2009, the Commission granted intervention to the Department of Business, Economic Development, and Tourism ("DBEDT"), County of Hawai'i ("COH"), County of Maui ("COM"), County of Kauai ("COK"), Life of the Land ("LOL"), Haiku Design and Analysis ("HDA"), Hawaii Renewable Energy Alliance ("HREA"), Blue Planet Foundation ("Blue Planet"), Hawaii Solar Energy Association ("HSEA"), JW Marriott Ihilani Resort & Spa, Waikoloa Marriott Beach Resort & Spa, Maui Ocean Club, Wailea Marriott, and Marriott Hotel Services, Inc., on behalf of Kauai Marriott Resort & Beach Club (collectively "Marriotts"), and Forest City Hawaii Residential, Inc. ("Forest City"). The original parties (Hawaiian Electric Companies, KIUC and the Consumer Advocate), as well as DBEDT, COH, COM, COK, LOL, HDA, HREA, Blue Planet, HSEA, Marriotts, and Forest City are hereinafter referred to as the "Parties."

as specifically set forth in their joint letter dated and filed on April 28, 2009. In that letter, the Hawaiian Electric Companies, KIUC, and the Consumer Advocate proposed that the IRP Framework be replaced with a Clean Energy Scenario Planning ("CESP") process and submitted a proposed CESP framework ("Proposed CESP Framework") for the Commission's review.²

On July 12, 2009, the Parties filed a proposed Stipulated Procedural Order that identified four issues for consideration, all of which focused on the Proposed CESP Framework as the starting point for establishing the new framework.

On August 11, 2009, the Parties held their first technical session to discuss, among other things, the background and basis for the Proposed CESP Framework and to solicit any comments and questions.

On or about August 28, 2009, the Parties were given the opportunity to informally exchange proposed modifications to the Proposed CESP Framework.

On September 15, 2009, the Parties held their second technical session to discuss, among other things, the informal proposed modifications to the Proposed CESP Framework that were exchanged between the Parties.

On September 23, 2009, the Commission issued an Order Approving the Stipulated Procedural Order, as Modified ("Procedural Order"), which refocused the starting point from the Proposed CESP Framework to the existing

² The proposed amendments to the IRP Framework submitted by the Hawaiian Electric Companies, KIUC and the Consumer Advocate are hereinafter referred to as the "Proposed CESP Framework." As noted in the April 28, 2009 letter, the only revision proposed by KIUC in the Proposed CESP Framework was to include a provision in Section III.D.6 of the Proposed CESP Framework that would have allowed KIUC to seek a waiver or exemption from all or any provisions of the framework once it was established.

Commission-approved IRP Framework. Pursuant to the Procedural Order, KIUC hereby submits this Preliminary Statement of Position.

II. STATEMENT OF THE ISSUES

As set forth in the Procedural Order, the issues in this docket are as follows:

1. What are the objectives of CESP and how do they differ from the objectives of IRP?
2. What is the basis for each of the proposed changes to the IRP process, and are these changes reasonable and in the public interest?
3. Whether the proposed changes to the IRP process should include changes to reflect differences between electric cooperatives and investor owned utilities?
4. What should be the role of the state's public benefits fee administrator?

III. PRELIMINARY STATEMENT OF POSITION³

A. What are the objectives of CESP and how do they differ from the objectives of IRP? What is the basis for each of the proposed changes to the IRP process, and are these changes reasonable and in the public interest?

Integrated Resource Planning ("IRP") is generally a generation planning process that evaluates various resource options for meeting future electricity demand. The IRP process results in the identification of a preferred plan that represents the optimal mix of resources that meet the objectives defined at the start of the IRP process, which can include, but not necessarily be limited to, reasonable cost, fuel diversity (risk), stability, reliability, or other objectives that the utility may define in the interest of providing

³ The following sets forth KIUC's preliminary position in this proceeding. The positions, representations, and statements set forth herein are preliminary in nature and are made solely for the purpose of facilitating the discovery and other procedural steps in this docket and shall not prevent KIUC from modifying or changing any of its positions, representations and statements set forth herein after discussing the issues and/or positions with the respective Parties.

adequate and reliable power service to its consumers. In KIUC's view, what prior IRPs have generally not focused on in the past is the specific location of new generation or the associated transmission and distribution infrastructure that may be required for the new generation projects.

By comparison, the CESP process, as straightforwardly expressed in its title – "Clean Energy Scenario Plan," takes this planning process and provides a specific emphasis and focus on clean and renewable energy. CESP, as also expressed in its title, provides for the identification and utilization of multiple scenarios to provide the utility with flexibility for addressing a range of energy options. In other words, as envisioned by KIUC, CESP involves incorporating clean and renewable energy goals into its future planning. Specifically, this means incorporating planning to meet the State's Renewable Energy Portfolio requirements,⁴ as well as KIUC's own goals as expressed in its cooperative Strategic Plan, which is to move KIUC towards energy

⁴ The State's Renewable Portfolio Standards are contained in Hawaii Revised Statutes §269-92, as amended, and provide as follows:

- (a) Each electric utility company that sells electricity for consumption in the state shall establish a renewable portfolio standard of:
 - (1) Ten per cent of its net electricity sales by December 31, 2010;
 - (2) Fifteen per cent of its net electricity sales by December 31, 2015;
 - (3) Twenty-five per cent of its net electricity sales by December 31, 2020; and
 - (4) Forty per cent of its net electricity sales by December 31, 2030.
- (b) The public utilities commission may establish standards for each utility that prescribe what portion of the renewable portfolio standards shall be met by specific types of renewable energy resources; provided that:
 - (1) Prior to January 1, 2015, at least fifty per cent of the renewable portfolio standards shall be met by electrical energy generated using renewable energy as the source, and after December 31, 2014, the entire renewable portfolio standard shall be met by electrical generation from renewable energy sources;
 - (2) Beginning January 1, 2015, electrical energy savings shall not count toward renewable energy portfolio standards;
 - (3) Where electrical energy is generated or displaced by a combination of renewable and nonrenewable means, the proportion attributable to the renewable means shall be credited as renewable energy; and
 - (4) Where fossil and renewable fuels are co-fired in the same generating unit, the unit shall be considered to generate renewable electrical energy (electricity) in direct proportion to the percentage of the total heat input value represented by the heat input value of the renewable fuels.

independence and decreased reliance on foreign imported oil by meeting at least 50% of KIUC's annual electricity sales with energy generated by renewable resources by 2023. This would necessarily take into consideration the logistical aspects of generation siting and the resulting size and location of required transmission and distribution infrastructure, which will be largely dependent on the location of the renewable resource itself (e.g., wind, sun, water). KIUC believes that these CESP goals could be met by multiple scenario analyses that would identify a range of energy options for both near and long-term planning, while at the same time considering and balancing the cooperative objectives of KIUC's member-elected Board, initiatives implemented by other electric cooperatives, KIUC's energy, capacity and reliability requirements, and the requirements imposed by KIUC's lenders.

In light of the above, KIUC is currently reviewing the IRP process that was used by KIUC in its last IRP to determine what, if any, changes or modifications should be made to that process in order to implement the above CESP principles and to achieve the CESP objectives. As part of this analysis, KIUC will also be reviewing the existing Commission-approved IRP Framework, which KIUC believes was created to allow each utility the flexibility to fashion a process to fit its particular characteristics, and determining the extent to which, if at all, the IRP Framework should be revised to embody and accomplish the above principles and objectives.

B. Whether the proposed changes to the IRP process should include changes to reflect differences between electric cooperatives and investor owned utilities?

As mentioned above, KIUC is in the process of reviewing its last IRP process and the existing IRP Framework it followed in preparing that IRP to determine the extent

to which any changes or modifications should be made to implement the above CESP principles and objectives. To the extent any changes are made to the IRP Framework or requirements placed on the IRP process, these changes or requirements must differentiate or otherwise remain sufficiently broad and flexible to give each utility the ability to fashion a process that will address its particular characteristics, including the difference between the ownership structure of KIUC as an electric cooperative and that of investor-owned utilities ("IOU"). These differences include the following:

- (1) Unlike the Hawaiian Electric Companies, KIUC is exempt from the Competitive Bidding Framework. See Order Granting KIUC Exemption from Framework for Competitive Bidding, filed on March 14, 2007, in Docket No. 03-0372. KIUC is also not subject to Public Benefit Fee ("PBF") administration of energy efficiency programs. See Decision and Order No. 23258, filed on February 13, 2007, in Docket No. 05-0069.⁵
- (2) As a member-owned cooperative, KIUC's ratepayers and owners/members/shareholders are essentially one in the same. This is fundamentally very different than an IOU, whereby the IOU's owners/shareholders must be concerned with not only ensuring that they can obtain cost recovery from the ratepayers, but also to ensure that a suitable profit is earned for its owners/shareholders. As a result, for an IOU, a determination and balance must be made by the

⁵ KIUC notes that, in the Proposed CESP Framework, the Hawaiian Electric Companies inserted various provisions relating to or referencing both the Competitive Bidding Framework and the PBF administration of energy efficiency programs.

Commission as to which costs, expenses or investments should be borne by the utility's ratepayers and which costs, expenses or investments should instead be borne by the utility's owners/shareholders. Because KIUC's owners (i.e., members) and ratepayers are essentially one and the same, there is no need to differentiate between the two. Instead, KIUC, as a cooperative, is a community-based and owned organization that elects its Board of Directors from its membership base, which represents the voice of its members and sets forth the policies and direction of the cooperative.

C. What should be the role of the state's public benefits fee administrator?

As provided above, because KIUC is not subject to the use of a PBF Administrator to administer energy efficiency programs pursuant to Decision and Order No. 23258, filed on February 13, 2007, in Docket No. 05-0069, KIUC does not believe that the PBF administrator should have any role as it pertains to KIUC or its own IRP/CESP process.

DATED: Honolulu, Hawaii, October 2, 2009.



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I (we) hereby certify that the foregoing document was duly served on the following Parties and Participants, as set forth below:

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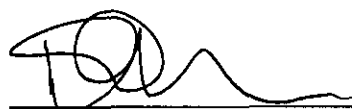
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